

AR26



Stone & Webster, Incorporated

Annual Report 1970

Cover

The triskelion emblem, represented on the cover by a three-dimensional paper sculpture photographed on a textured wood panel, was designed by the original partners and has been in use since the early days of Stone & Webster. The triskelion has been used through the ages to express movement, energy, speed and victory, while the triangle has had a timeless acceptance as a symbol suggesting stability, strength and upward constructive endeavor. The combination of these two ancient symbols has a distinct meaning of progress and stability, two objective purposes toward which the activities of Stone & Webster are devoted. In addition, it represents our important endeavors in Engineering, Financial and Management Services. The emblem appears on all our advertising and letterheads.

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The annual meeting of Stockholders is scheduled to be held on May 13, 1971, at 100 West Tenth Street, Wilmington, Delaware. Stockholders of record at the close of business on March 25, 1971, will be entitled to vote at this meeting. Proxies will be requested by the management, and it is expected that notice of such annual meeting, together with Proxy Statement and form of Proxy, will be mailed to Stockholders on or about April 1, 1971.

Management's Message



Whitney Stone

Richard N. Benjamin

TO OUR STOCKHOLDERS AND EMPLOYEES:

Stone & Webster had an excellent year in 1970, with new high records being achieved in gross earnings and net income. Consolidated net income for 1970 was \$16,168,000 or \$4.11 per share based on the average number of shares of common stock outstanding during the year, of which \$1.33 resulted from the sale of investment securities. This compares with consolidated net income of \$10,132,000 or \$2.55 per share for 1969, of which \$.04 resulted from the sale of investment securities. Quarterly dividend payments of 47½¢ per share were continued in 1970, resulting in total dividends paid of \$1.90.

Management's Message

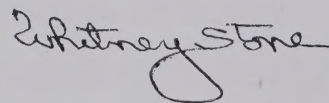
Consolidated gross earnings were \$75,655,000 in 1970, an increase of \$16,235,000 over the previous year. Expenses and other charges, exclusive of income taxes, also increased, being \$48,995,000 in 1970. Income taxes of \$10,492,000 were provided out of earnings in 1970 as compared with \$6,224,000 in 1969.

The Engineering Corporation enjoyed a significant increase in gross earnings and played an important part in the improvement in consolidated net income. Engineering, design and construction work continued at peak levels with a substantial amount of new work obtained in 1970. The Securities Corporation's gross earnings were slightly higher in spite of a very difficult year in the financial markets. Gross earnings from cold storage activities increased over the previous year. Natural gas and oil sales and dividends and interest from our security holdings remained substantially unchanged, while gross earnings from management consulting decreased. Gross earnings from sales of investment securities were \$7,864,000, compared with \$218,000 in 1969.

Lloyd D. Brace and John W. McKee, two long-time Directors who exhibited a deep interest in Company affairs and contributed much to the Company's success, retired from the Board of Directors during 1970. We shall miss their counsel. We were pleased to welcome to our Board William L. Brown, Executive Vice President of The First National Bank of Boston, who was elected a Director in May 1970.

Other important management changes described more fully on the following page were announced at year-end.

Good opportunities and challenging assignments exist in all areas of Stone & Webster operations. Our organization is well staffed with competent, dedicated and faithful employees at all levels, and we are confident that we will meet successfully the rapid changes prevalent in our various activities.

A handwritten signature in dark ink, appearing to read "Whitney Stone". The signature is fluid and cursive, with the first name "Whitney" written in a larger, more prominent script than the last name "Stone".

Chairman of the Board

February 17, 1971

Management Changes

An orderly transition of top management responsibilities was established with the announcement in December 1970 of major management changes, all of which became effective February 1, 1971. Raymond C. Foster was elected Vice Chairman of the Board and a Director of Stone & Webster, Incorporated. A chemical engineer, Mr. Foster, 51, has been associated with Stone & Webster Engineering Corporation activities since 1946. He was elected Chairman and Chief Executive Officer of the Engineering Corporation in 1965, which position he continues to hold.

Halmer L. Baker was elected President and a Director of Stone & Webster, Incorporated. Mr. Baker, 46, had been President of Savannah Electric and Power Company since 1967. An electrical engineer, Mr. Baker previously had been a Vice President of Stone & Webster Management Consultants, Inc., with which he had been associated since 1951.

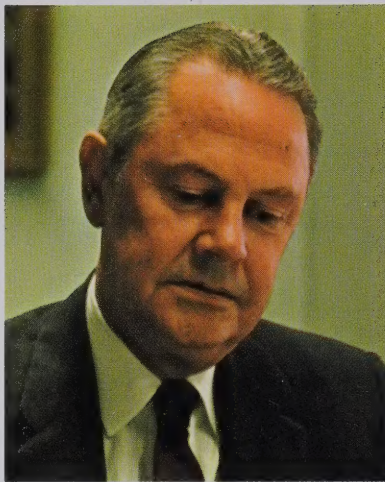
Richard N. Benjamin, who has served since 1959 as President of Stone & Webster, Incorporated, agreed to defer his retirement and was elected Chairman of the Executive Committee.

This well-balanced team, with Whitney Stone who remains Chairman of the Board and Chief Executive Officer of Stone & Webster, Incorporated, will continue to apply management attention to future opportunities which may be attractive to the Stone & Webster organization. In addition, these changes will enable responsibilities to be spread among the top officers with greater flexibility and will provide our organization with younger executives to carry on the affairs of the Company in the ensuing years.



Raymond C. Foster

Halmer L. Baker



Ashton G. Eldredge
Vice President



William M. Egan
Vice President

Featured on this and the following pages are pictures of officers of the Company and senior officers of our major foreign subsidiaries.

Stone & Webster Engineering Corporation

Work completed, in progress and undertaken by Stone & Webster Engineering Corporation covered many phases of engineering, design, construction, construction management and consulting engineering during 1970. The Corporation's activities ranged from appraisal, inspection and advisory services to complete engineering and construction of major fossil, nuclear and hydroelectric generating facilities for the electric utility industry and large chemical complexes for the chemical process industries.

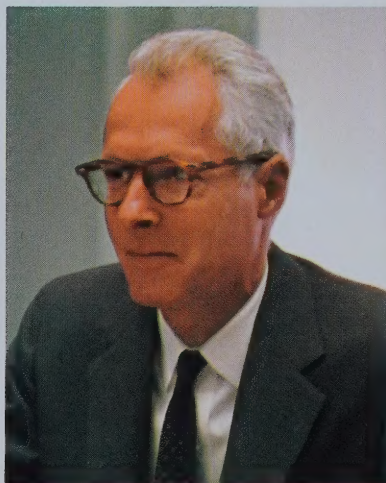
Six new electric power projects were undertaken in 1970, compared with three in the previous year. Included in the more than 3,400,000 kilowatts of new electric generating capacity added to the Engineering Corporation's backlog were fossil-fired units for Upper Peninsula Generating Company, a fossil-fired unit each for Niagara Mohawk Power Corporation, Boston Edison Company and Canal Electric Company, a 938,000 kilowatt nuclear power plant for Virginia Electric and Power Company, and a 350,000 kilowatt hydroelectric facility for Public Utility District No. 1 of Chelan County, Washington.

A number of Engineering Corporation projects were completed in 1970. Put into commercial operation were the 580,000 kilowatt Nelson Unit No. 4 for Gulf States Utilities Company, the 570,000 kilowatt Cheswick plant for Duquesne Light Company and the 440,000 kilowatt Big Bend No. 1 station for Tampa Electric Company.

Work on chemical process and industrial projects continued during 1970 despite tight money and the high cost of new capital. Among such projects were a synthetic alcohol plant at Tuscola, Illinois for U.S. Industrial Chemicals Company, a division of National Distillers & Chemical Corporation, which will produce 66 million gallons of ethyl alcohol a year and is scheduled for completion in 1972; a 200 million pound per year phenol plant at Rebecca, Louisiana for Georgia-Pacific Corporation; and the expansion of capacity at a Shell Oil Company ethylene



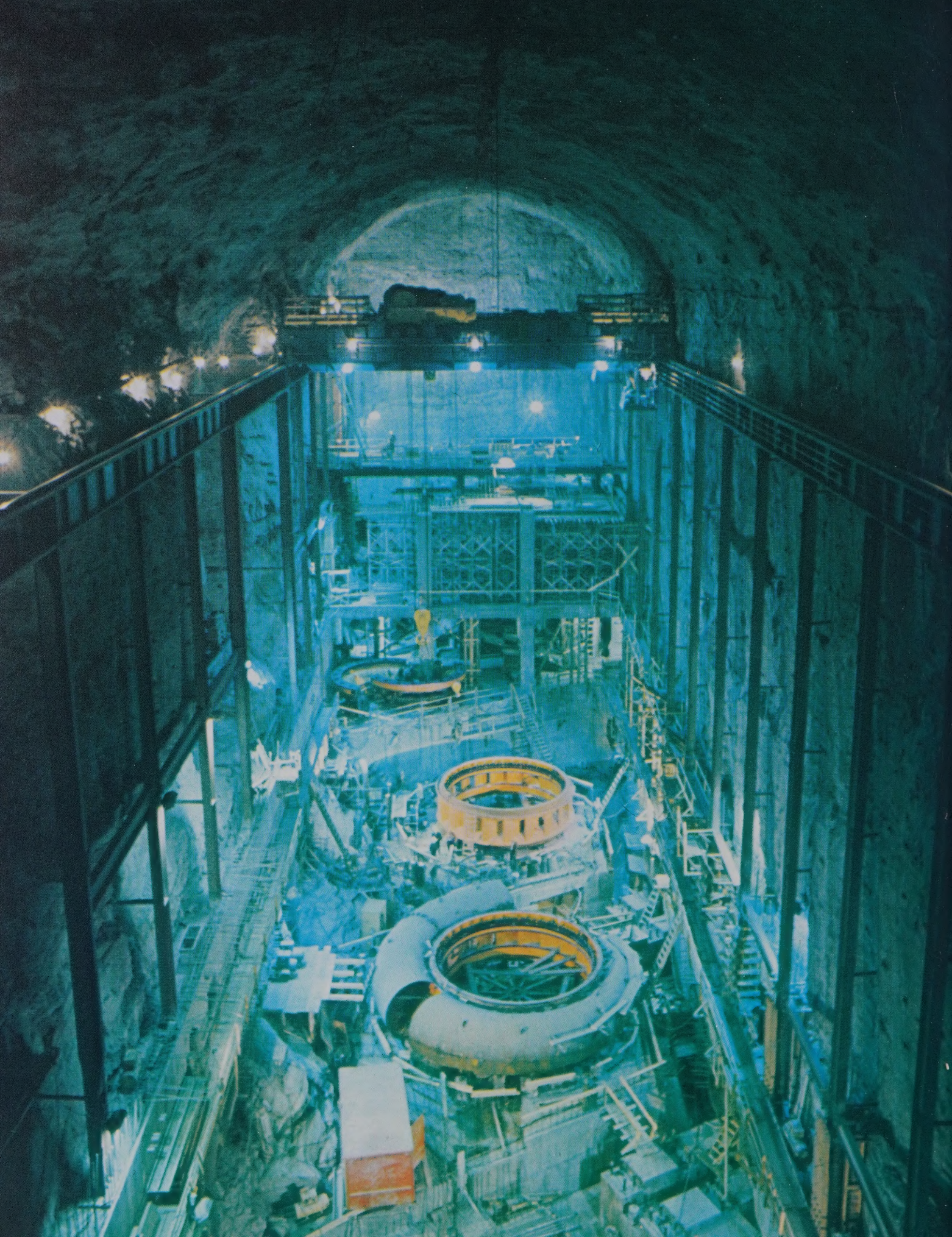
Environmental engineering played a key role in Stone & Webster's design and construction of Big Bend No. 1 for Tampa Electric Company. Extensive hydro-thermal studies of the present and future cooling water needs of the Big Bend station and computerized air dispersion studies leading to the selection of a single 500-foot stack to serve two units will help preserve the air and water quality of Tampa Bay in Florida. Work on Unit No. 2 is now under way.



Franklin E. Conger
Secretary



Robert F. Gallagher
Treasurer



plant at Norco, Louisiana. A new assignment to the Corporation in 1970 was the award of project and construction management of a liquefied natural gas storage plant to be erected in Riverdale, Georgia for Atlanta Gas Light Company.

During 1970, the Corporation continued to play a significant role in the development of the Japanese chemical industry with the completion of two more major ethylene facilities. The two plants, each rated at 300,000 metric tons per year, were the No. 2 ethylene plant at Chiba for Sumitomo Chemical Company Limited and a new ethylene installation at Kawasaki for Ukishima Petrochemicals Company Limited. Both plants utilize Stone & Webster's exclusive USC (Ultra Selective Conversion) cracking process and both delivered specification product into the production line within the record time of four days.

Nuclear power projects continued to play a large role in the Corporation's engineering activities during 1970. At year-end, more than 45% of the new electric generating capacity being engineered was for nuclear power plants. Among these projects, each of which will have a generating capability in excess of 800,000 kilowatts, are Surry Nos. 1 and 2 for Virginia Electric and Power Company, Maine Yankee for Maine Yankee Atomic Power Company, James A. FitzPatrick for the Power Authority of the State of New York, Beaver Valley for Duquesne Light Company, Shoreham for Long Island Lighting Company and North Anna Nos. 1 and 2 for Virginia Electric and Power Company.

During the year, work also continued on the 1 million kilowatt Northfield Mountain pumped storage hydroelectric project for Northeast Utilities and a large pumped storage facility for Virginia Electric and Power Company. Other continuing activities included engineering and construction of a number of extra high voltage transmission lines and large electric power substations for clients throughout the United States.

Increasing national concern over air and water pollution was reflected in the Engineering Corporation's new Environmental Engineering Division workload in 1970. Work in progress ranged from comprehensive site selection studies for clients to detailed analysis of environmental effects and the design of air and thermal pollution control systems to meet new Federal and local pollution regulations.

In response to new stringent thermal effect regulations being imposed on electric utilities, and in recognition of the increasing use of gas turbines for electric power generation, the Engineering Corporation developed and offered to the electric utility industry the Stone & Webster FAST combined cycle power plant. The FAST plant is a pre-engineered package utilizing the waste heat from two gas turbines to produce steam for a conventional quick-starting steam-turbine generator. The basic design features a completely air-cooled condenser which eliminates the need for cooling water and permits maximum siting flexibility. Initial industry response has been most encouraging.

The powerhouse cavern of the Northfield Mountain pumped storage hydroelectric project being engineered by Stone & Webster Engineering Corporation for Northeast Utilities is longer than a football field and higher than a ten-story building. The cavern, carved out of solid granite, six hundred feet below the wooded surface of Northfield Mountain, will house four 250,000 kilowatt reversible pump turbines which can produce one million kilowatts in less than three minutes. Initial operation is scheduled for early 1972.



From left to right, Jeffrey P. Collinge, Director, J. Marshall Hamill, Managing Director, and Leslie B. Baker, Director, Stone & Webster Engineering Limited.

Stone & Webster Engineering Limited

Stone & Webster Engineering Limited in London continued to be very active during 1970. Work continued on major ethylene, butadiene and gasoline plants for BP Chemicals International Ltd. in South Wales and, in association with Stone & Webster Engineering S.A. in Paris, the large olefin complex for Total Chimie in northern France. Additionally, work continued on the large ethylene plant in Spain for Calvo Sotelo, on the olefin plant expansion in Turkey for Petkim and the major petrochemical plant for Gulf Oil Raffinaderij N.V. in Rotterdam. During 1970 Engineering Limited was awarded by Bass Charrington, one of England's major brewers, the contract for a major brewery complex which, when complete, will be Europe's largest single unit.

Progress was made on a large heavy oil cracking plant for Shell Chemicals U.K. Limited at Carrington, England and discussions are now taking place with Bataafse Internationale Chemie Maatschappij N.V. concerning a contract for another large ethylene plant of 450,000 tons per year capacity which will be installed at Moerdijk, Holland for Shell Nederland Chemie N.V. This plant will incorporate Stone & Webster's proprietary USC technology.

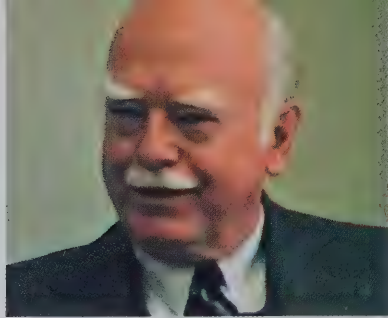
Stone & Webster Canada Limited

1970 marked the 20th anniversary of the incorporation of Stone & Webster Canada Limited. During this period it has grown from a small sales office to a fully integrated consulting, engineering, design and construction business. It has developed special skills and expertise in the design and construction of breweries and distilleries and now is prepared to provide these services beyond the Canadian borders.

Because of marketing conditions in Canada, the Canadian Company must diversify its interests widely, and it does so by offering most of the services of the whole Stone & Webster organization.



Stone & Webster Engineering Limited completed in 1970 this phenol plant located at Grangemouth, Scotland for BP Chemicals International Ltd.



John W. McKee
Chairman of the Board
Stone & Webster Canada Limited



Kenneth A. West
Vice Chairman of the Board
Stone & Webster Canada Limited



Jacques J. H. Pley
President
Stone & Webster Canada Limited

It has developed a close working relationship with both Stone & Webster Engineering Corporation and Stone & Webster Management Consultants, Inc. and has carried out varied assignments with their assistance and cooperation. Stone & Webster's services in the utility field are well known in Canada, and to make Stone & Webster equally well known to other industries where report work could lead to design and construction, Canada Limited and Management Consultants have embarked on a joint program which has already resulted in reports involving potential pulp and paper and coke production facilities in Canada. The Company also was given responsibility for conceptual design for a proposed new distillery to be built in western Canada.

During 1970 Stone & Webster Canada Limited obtained work from both new and former clients. It was awarded several additional assignments by The Algoma Steel Corporation, Limited, at Sault Ste. Marie, Ontario, including the construction of a multi-million-dollar basic oxygen steel-making plant. Work continued on two distilleries for Hiram Walker & Sons Limited, one in Walkerville, Ontario, and the other in Kelowna, British Columbia; on the expansion of the No. 2 Olefin Unit at Varennes, Quebec, for Gulf Oil Canada Limited, Shawinigan Chemicals Division; and on the world's largest university library, for the University of Toronto, for which Canada Limited is project manager.

Stone & Webster Management Consultants, Inc.

Stone & Webster Management Consultants, Inc. continued to provide consulting and advisory services to business, industry and governmental agencies. During 1970 a total of 162 clients utilized the management consulting services, compared with 147 clients in 1969.

The number of consulting assignments increased in 1970 in areas feeling the impact of inflation and for clients troubled by fuel shortages. There was a marked rise in help rendered public utility companies in their efforts to obtain rate increases. At one time during the year



Stone & Webster Canada Limited is project manager for the University of Toronto's Humanities and Social Sciences Research Library and School of Library Science. Construction of this highly complex triangular library is scheduled for completion in 1972. The \$42 million project will be the largest university library building in the world, with over 1,000,000 sq. ft. of floor space and controlled access to 4,500,000 volumes.



Top priority to environmental factors was given to the planning, design and construction of Duquesne Light Company's new Cheswick Power Station. To make this coal-fired 570,000 kilowatt station a good neighbor in a residential suburb, Stone & Webster engineers used a wide variety of controls to maintain air and water quality, reduce noise and make the plant aesthetically attractive.

simultaneous assistance was being rendered to over 20 utility companies in rate matters. The projects included rate design, rate base and rate of return calculations, cost-of-service studies, valuations, depreciation studies and cost-of-money investigations. In many instances our experts testified before regulatory commissions as part of their assignments.

The shortage of oil, gas and coal during 1970 resulted in an unusual number of consulting assignments in the fuel area. Management Consultants was engaged in mining feasibility studies, fuel marketing studies, economic analysis of competitive fuels, liquefied petroleum gas utilization analysis and future fuel source studies for electric and gas utilities.

Consulting services also were rendered in such fields as urban transportation systems, acquisitions and mergers, spin-offs, valuations, joint ventures, organizational and marketing studies, financial programs, construction planning, operational analyses, simplification of office procedures, automated accounting and record keeping, tax matters, sales and public relations programs, labor negotiations, computer systems and program support, and insurance and pension programs.

Other growing services involve the Information Services Division. Installations of computerized general accounting, billing, payroll, inventory control, stores accounting, budgeting, forecasting and customer information systems have kept the rapidly expanding staff busy.

Stone & Webster Overseas Consultants Inc., a subsidiary of Management Consultants, undertook projects in England, Belgium, Bolivia, Panama, Venezuela, West Pakistan, Iran, Australia, Indonesia and Tunisia. Gas conversion work continues in Australia. Gas appliances in Brisbane and Melbourne have been converted and adjusted to burn high Btu natural gas and work is continuing in Geelong, Perth and Freemantle.

Stone & Webster Securities Corporation

While public attention focused on the decline in the security markets and the problems of the Exchanges and the investment banking community, demands from Federal, municipal and corporate treasuries for additional funds continued unabated. Prime quality utility AAA Bonds yielded more than 9% during some periods of the year, yet demand from utilities for funds continued in the face of such high interest rates. A major recovery of bond prices set in during the late summer.

Stone & Webster Securities Corporation managed or co-managed more than \$1.25 billion of bond and stock offerings during 1970, nearly double the amount of the previous year. In addition, underwriting participation with other firms totaled \$633,000,000. Lease financing and private placement activity covered a variety of new projects and concepts, ranging from turbine generators to central heating and cooling systems in major cities.

At the end of 1970 Stone & Webster Securities Corporation led an underwriting group in the offering of 6,000,000 units of Tenneco Inc. consisting of 6,000,000 shares of common stock and 6,000,000 warrants. Assuming exercise of the warrants, the total amount of the financing would be in excess of \$250,000,000, representing one of the largest equity offerings of its type. The offering was successfully received by financial institutions, the general public and Tenneco shareholders.

The investment banking and brokerage business went through one of its most difficult years since the 1930's involving not only deteriorating markets but also operational problems of considerable magnitude. Despite the foregoing, we are pleased to report that the Securities Corporation maintained its strong financial condition during 1970.

Stone & Webster Securities Corporation is an associate member of the American Stock Exchange, and a member of the Midwest, Pacific Coast and Philadelphia-Baltimore-Washington Stock Exchanges.

Industrial Gas Supply Corporation

Industrial Gas Supply Corporation supplies the natural gas requirements of a substantial segment of the industrial complex in the ship channel area of Houston, Texas. Its customers engage in the production of cement, petroleum products, chemicals, brick, food products, and many other varied substances.

Sales volume for the year 1970 amounted to 38.0 billion cubic feet compared with 40.1 billion cubic feet in 1969. Company owned and controlled wells produced approximately 10% of the total sales volume, with the remaining sales volume being purchased from others under long term contracts. Competition for new gas reserves continued to increase during the year resulting in substantial increases to the Company in the cost of new gas. Recovery from the Company's Needville, Texas gasoline plant increased substantially due to the processing of richer inlet gas.

Spruce Hills Production Company, Inc.

Spruce Hills Production Company, Inc. owns working interests in various oil and gas properties in western Canada. As a result of the continuing high demand for Canadian oil and gas, the Company's gross revenues showed a substantial increase over last year. In order to meet increases in government oil allowables, the Company along with its partners drilled several successful development wells in the Pembina Field late in the year. Net production for 1970 of 268,000 barrels of oil and 718 million cubic feet of gas compared with 240,000 barrels and 551 million cubic feet produced in 1969.

Commercial Cold Storage, Inc.

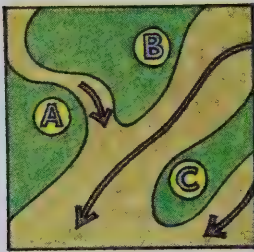
In 1963 Commercial Cold Storage, Inc. owned a relatively small plant off Atlanta's southeast expressway. Since that time the Company has grown to two major facilities in the Atlanta area with over 6 million cubic feet of freezer and controlled temperature storage space. Gross earnings increased substantially during 1970.

The northeast plant, with 4 million cubic feet of refrigerated space, has fifty-six acres of land for the building of food processing plants. Several large processors are already located there.

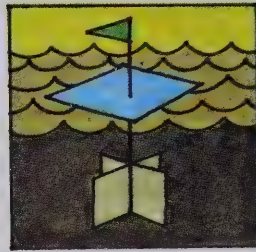


This 300,000 metric tons per year ethylene plant is the fifth plant designed and engineered by Stone & Webster Engineering Corporation for Sumitomo Chemical Company Limited of Japan. Incorporated in the process design and engineering is Stone & Webster's exclusive USC (Ultra Selective Conversion) cracking process. Put on stream in early 1970, the Sumitomo plant delivered specification product into the line in record time.

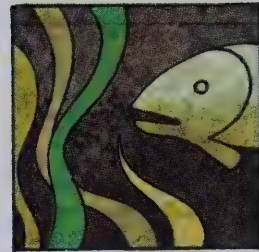
The latest expansion, completed in 1970, is an 800,000 cubic foot addition to the Company's original southeast facility. With these two facilities, Commercial Cold Storage, Inc. can provide the food producer, as well as the buyer, a distribution center for frozen and refrigerated food products unequaled in the South. The combination of experienced personnel and skilled management, and the most modern facilities in the South have made Commercial Cold Storage, Inc. a successful, growing operation while Atlanta is becoming a major frozen food distribution area.



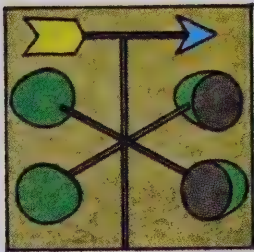
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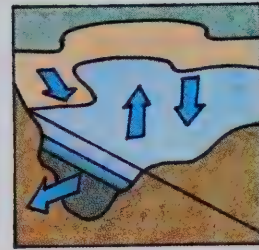
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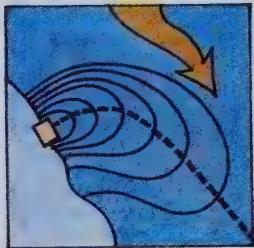
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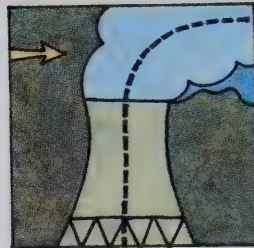
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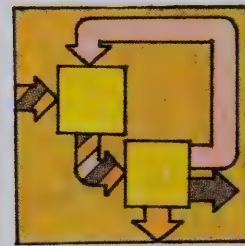
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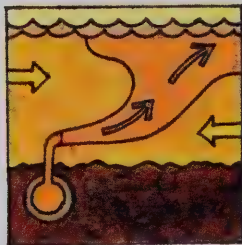
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A Stone & Webster Special Report: Environmental Engineering Meets The Challenge

Concern over the gradual pollution of our air, water and land has made ecological and environmental protection a national priority. As a major engineer and builder of industrial facilities, Stone & Webster shares this concern.

Recognizing the need for strong capabilities in the engineering and scientific disciplines for effective control of environmental effects, several years ago Stone & Webster Engineering Corporation began adding the necessary in-depth competency in all environment related fields to its traditional engineering capabilities.

In May 1970, the various groups in the Engineering Corporation which had been active in environmental areas were consolidated into an Environmental Engineering Division. Presently, the technical and specialized personnel of the division, working as a closely-coordinated team, consist of hydraulic, sanitary, chemical, mechanical and civil engineers and ecologists, meteorologists, physicists and computer programmers.

In addition to their scientific studies and development of advanced engineering concepts for environmental controls, these environmental specialists obtain permits from regulatory agencies and, when required, give expert testimony before these agencies. All of their activities are fully integrated with the basic engineering and construction expertise of the Engineering Corporation.

The Environmental Engineering Division with its combination of multiple skills and talents puts Stone & Webster Engineering Corporation in a unique position to help industry solve today's complex environmental problems and develop economic and practical solutions. In our view, Environmental Engineering is the vital link between any industrial plant and its surroundings—the sum total of all disciplines needed if new plants are to fit harmoniously into the existing environment, with full regard for ecological considerations and community regulations.

Stone & Webster has made Environmental Engineering an essential part of its activities, from preliminary planning to detailed engineering, and is able to offer an unusual and valuable combination of scientific knowledge and engineering capabilities at a single source.

1. Site Selection
2. Water Temperature and Hydrographic Surveys
3. Ecological and Water Quality Surveys
4. Meteorological Surveys
5. Air Quality Surveys
6. Environmental Effects of Ponds and Reservoirs
7. Temperature Patterns at Cooling Water Discharges
8. Environmental Effects of Cooling Towers
9. Waste Control and Recovery
10. Thermal Effect Control
11. Air Quality Control
12. Noise Control

ASSETS

	December 31, 1970	December 31, 1969
Current Assets:		
Cash	\$ 11,547,000	\$ 7,290,000
U. S. Government Securities and Bank Certificates of Deposit	14,361,000	3,740,000
Securities incident to investment banking business, at cost	7,876,000	10,817,000
<i>Total based on market quotations: \$8,191,000 at December 31, 1970 and \$10,566,000 at December 31, 1969.</i>		
<i>Includes securities, carried at \$5,862,000 at December 31, 1970 and \$6,522,000 at December 31, 1969, pledged as collateral for bank loans.</i>		
Accounts, Notes and Interest Receivable	24,431,000	37,562,000
<i>Includes \$16,231,000 at December 31, 1970 and \$29,666,000 at December 31, 1969 incident to the investment banking business.</i>		
Unbilled Charges under Contracts	5,680,000	4,104,000
Materials and Supplies, at cost	150,000	214,000
Total Current Assets	64,045,000	63,727,000
Clients' Funds Held under Construction Contracts (per contra)	472,000	795,000
Investments in Unconsolidated Subsidiaries, at cost (Note A)	193,000	754,000
Other Investment Securities, at cost	8,155,000	9,600,000
<i>Total based on market quotations: \$71,827,000 at December 31, 1970 and \$77,138,000 at December 31, 1969 (no allowance made for taxes on unrealized appreciation).</i>		
Long-Term Receivables, less amount included under Current Assets	3,019,000	3,389,000
<i>From sale of natural gas interest, due in varying amounts from 1972 to 1980.</i>		
Natural Gas and Oil Properties and Other Mineral Interests	11,689,000	11,593,000
<i>At cost, less accumulated depreciation and depletion of \$9,243,000 at December 31, 1970 and \$8,789,000 at December 31, 1969.</i>		
Cold Storage Plant and Equipment	6,489,000	5,628,000
<i>At cost, less accumulated depreciation of \$969,000 at December 31, 1970 and \$808,000 at December 31, 1969.</i>		
Office Building and Other Property	4,505,000	3,927,000
<i>Building at less than cost, other property at cost, less accumulated depreciation of \$4,543,000 at December 31, 1970 and \$4,379,000 at December 31, 1969.</i>		
Furniture and Equipment	2,066,000	1,636,000
<i>At cost, less accumulated depreciation of \$2,692,000 at December 31, 1970 and \$2,491,000 at December 31, 1969.</i>		
Other Assets and Deferred Charges	5,819,000	5,191,000
<i>Includes cost in excess of equity of firms acquired of \$1,961,000 at December 31, 1970 and \$2,252,000 at December 31, 1969.</i>		
	<u>\$106,452,000</u>	<u>\$106,240,000</u>

See Notes to Financial Statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1970	December 31, 1969
Current Liabilities:		
Notes Payable (bank loans)	\$ 4,842,000	\$ 6,138,000
<i>Indebtedness of investment banking subsidiary, with securities pledged as collateral.</i>		
Accounts Payable	13,522,000	24,821,000
<i>Includes \$10,632,000 at December 31, 1970 and \$22,872,000 at December 31, 1969 incident to the investment banking business.</i>		
Dividends Declared	1,864,000	1,869,000
Advance Payments by Clients	3,112,000	1,827,000
Long-Term Debt (payments due within one year)	175,000	171,000
Accrued Federal, State and Other Taxes	5,275,000	2,344,000
Other Accrued Liabilities	4,417,000	3,216,000
Total Current Liabilities	33,207,000	40,386,000
Clients' Funds Held under Construction Contracts (per contra)	472,000	795,000
Long-Term Debt of Commercial Cold Storage, Inc. (a subsidiary), less amount shown under Current Liabilities	1,283,000	1,458,000
<i>Due in varying amounts from 1972 to 1978, and bearing interest at various rates.</i>		
Deferred Profit	3,323,000	3,867,000
<i>From sale of natural gas interest, being taken into earnings on installment basis.</i>		
Deferred Federal Income Taxes	1,497,000	1,452,000
Stockholders' Equity:		
Preferred Stock	—	—
<i>Authorized, 2,000,000 shares of no par value; none issued.</i>		
Common Stock, carried at	7,869,000	7,874,000
<i>Authorized, 10,000,000 shares of \$1 par value; issued 4,287,502 shares, including shares held in treasury.</i>		
Capital in Excess of Carrying Value of Common Stock	8,927,000	8,927,000
Retained Earnings	62,175,000	53,467,000
	78,971,000	70,268,000
Less Common Stock in Treasury, at cost	12,301,000	11,986,000
<i>363,432 shares at December 31, 1970 and 352,715 shares at December 31, 1969. (Note B).</i>		
Total Stockholders' Equity	66,670,000	58,282,000
	<u>\$106,452,000</u>	<u>\$106,240,000</u>

Stone & Webster, Incorporated and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year Ended December 31, 1970	Year Ended December 31, 1969
Gross Earnings:		
Engineering and construction services (Note C)	\$33,143,000	\$25,258,000
Consulting and other services	4,351,000	4,686,000
Securities underwriting and trading, and other income incident to investment banking business	11,392,000	10,928,000
Natural gas and oil sales, profit and other income from mineral interests	9,984,000	9,929,000
Cold storage and related activities	1,861,000	1,611,000
Dividends and interest	5,516,000	5,499,000
<i>Includes dividends from unconsolidated subsidiaries (foreign): \$315,000 in 1970 and \$606,000 in 1969.</i>		
Profits on investment securities	7,864,000	218,000
<i>After taxes, represents net income per share of \$1.33 in 1970 and \$.04 in 1969.</i>		
Rents	1,444,000	1,278,000
Other	100,000	13,000
Total	75,655,000	59,420,000
Operating and General Expenses	44,823,000	39,244,000
<i>Includes cost of gas purchased for resale of \$5,784,000 in 1970 and \$5,905,000 in 1969.</i>		
Taxes, Other than Income Taxes	1,996,000	1,818,000
Provision for Depreciation and Depletion (Note D)	1,396,000	1,294,000
Interest and Amortization of Debt Expense	780,000	708,000
Total	48,995,000	43,064,000
Income before Provision for Income Taxes	26,660,000	16,356,000
Provision for Income Taxes:		
Federal	9,647,000	5,550,000
State, local and foreign	845,000	674,000
	10,492,000	6,224,000
Net Income (per share*: \$4.11 in 1970; \$2.55 in 1969)	16,168,000	10,132,000
Retained Earnings at beginning of year	53,467,000	50,858,000
Total	69,635,000	60,990,000
Dividends Declared	7,460,000	7,523,000
<i>Per share:</i>		
<i>1970: 47½¢ each paid on May 1, August 1 and November 2, 1970; 47½¢ payable on February 1, 1971.</i>		
<i>1969: 47½¢ each paid on May 1, August 1 and November 1, 1969; 47½¢ paid on February 2, 1970.</i>		
Retained Earnings at end of year	\$62,175,000	\$53,467,000

* Per share figures based on average number of shares outstanding during each period.

See Notes to Financial Statements.

Stone & Webster, Incorporated and Consolidated Subsidiaries

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Year Ended December 31	
	1970	1969
Source of Funds:		
Net income	\$16,168,000	\$10,132,000
Depreciation and depletion.....	1,396,000	1,294,000
Market value of common shares, principally treasury, issued.....	—	4,601,000
	<u>\$17,564,000</u>	<u>\$16,027,000</u>
Application of Funds:		
Additions to property, plant and equipment.....	\$ 3,361,000	\$ 2,402,000
Purchase of common stock for treasury.....	315,000	6,262,000
Cost in excess of equity of firms acquired.....	—	2,252,000
Dividends declared	7,460,000	7,523,000
Increase (decrease) in other assets and liabilities.....	(1,069,000)	1,110,000
Increase (decrease) in working capital:		
Increase (decrease) in cash and cash items.....	14,878,000	(5,171,000)
Decrease in other current assets.....	(14,560,000)	(5,967,000)
Decrease in current liabilities.....	7,179,000	7,616,000
	<u>\$17,564,000</u>	<u>\$16,027,000</u>

NOTES TO FINANCIAL STATEMENTS

(A) The consolidated financial statements include the accounts of subsidiaries of Stone & Webster, Incorporated, other than foreign subsidiaries and certain subsidiaries organized for foreign activities. The net assets applicable to the investments in the unconsolidated subsidiaries, as shown by their balance sheets, exceeded the aggregate amount at which such investments are carried by approximately \$2,180,000 at December 31, 1970 (\$1,650,000 at December 31, 1969), based on appropriate rates of exchange where foreign currencies are involved. Such excess represents undistributed earnings of the unconsolidated subsidiaries since acquisition.

(B) The Corporation purchased 10,717 shares of its Common Stock for \$315,000 in 1970 which were added to its holdings of Treasury Stock. The Corporation has continued and may continue, from time to time, to purchase additional shares of its Common Stock, for possible use in the employee savings plan and for other corporate purposes, on the New York Stock Exchange, or otherwise.

(C) Gross earnings from engineering and construction services include, generally on a percentage of completion basis, fees earned on agency contracts and the excess of revenues (\$6,233,000 in 1970 and \$5,142,000 in 1969) over direct construction costs (\$4,380,000 in 1970 and \$3,160,000 in 1969) on non-agency contracts. Such revenues and costs are exclusive of expenditures made directly by clients.

(D) Depreciation generally is provided on a straight-line basis at rates adequate to depreciate the applicable assets over

their estimated useful lives. Depreciation expense for 1970 was \$1,182,000 and \$1,084,000 for 1969. At December 31, 1970 depreciable assets were carried at \$17,295,000 after deducting accumulated depreciation.

(E) The Corporation and its principal subsidiaries, the accounts of which are included in the consolidated financial statements, have a retirement plan covering executive, administrative, technical and clerical employees. The plan was amended in 1969, effective in 1970, so as to improve generally the relationship between retirement benefits and salary. Total retirement expense for 1970 was \$1,600,000, as compared with \$1,344,000 for 1969. Said amounts include amortization of the unfunded balance of prior service cost over periods of from 20 to 30 years beginning in 1970. Contributions to the trust fund under the plan totaled \$1,579,000 in 1970 and \$1,294,000 in 1969.

(F) Subsidiary companies are committed for annual rentals of approximately \$2,300,000 under long-term leases, the longest of which extends to 1995.

(G) Stone & Webster Engineering Corporation, a subsidiary, has been named a defendant, along with others, in legal actions claiming damages in connection with construction projects. Counsel and management believe, on the basis of their examination and consideration of these matters, that these actions will not result in payment of amounts which would have a material effect on the financial statements.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Stone & Webster, Incorporated:

We have examined the consolidated balance sheet of Stone & Webster, Incorporated and Consolidated Subsidiaries as of December 31, 1970 and the related consolidated statements of income and retained earnings for the year then ended and of source and application of funds for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Corporation for the year 1969.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Stone & Webster, Incorporated and Consolidated Subsidiaries at December 31, 1970 and 1969, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, February 16, 1971

LYBRAND, ROSS BROS. & MONTGOMERY

Stone & Webster, Incorporated and Consolidated Subsidiaries

TEN-YEAR

	1970	1969	1968
Gross Earnings:			
Engineering and construction services	\$ 33,143,000	\$ 25,258,000	\$ 21,232,000
Consulting and other services	4,351,000	4,686,000	4,719,000
Securities underwriting and trading, and other income incident to investment banking business . .	11,392,000	10,928,000	7,361,000
Natural gas and oil sales, profit and other income from mineral interests	9,984,000	9,929,000	9,501,000
Cold storage and related activities	1,861,000	1,611,000	1,438,000
Dividends and interest	5,516,000	5,499,000	5,566,000
Profits on investment securities	7,864,000	218,000	660,000
<i>After taxes, represents net income per share of \$1.33 in 1970.</i>			
Rents	1,444,000	1,278,000	1,240,000
Other	100,000	13,000	8,000
Total	<u>75,655,000</u>	<u>59,420,000</u>	<u>51,725,000</u>
Operating and General Expenses	44,823,000	39,244,000	32,152,000
Taxes, Other than Income Taxes	1,996,000	1,818,000	1,673,000
Provision for Depreciation and Depletion	1,396,000	1,294,000	1,219,000
Interest and Amortization of Debt Expense	780,000	708,000	464,000
Total	<u>48,995,000</u>	<u>43,064,000</u>	<u>35,508,000</u>
Income before Provision for Income Taxes and extraordinary items	26,660,000	16,356,000	16,217,000
Provision for Income Taxes:			
Federal	9,647,000	5,550,000	4,884,000
State, local and foreign	845,000	674,000	777,000
	<u>10,492,000</u>	<u>6,224,000</u>	<u>5,661,000</u>
Income before extraordinary items	16,168,000	10,132,000	10,556,000
Extraordinary items	—	—	—
Net Income	<u>\$ 16,168,000</u>	<u>\$ 10,132,000</u>	<u>\$ 10,556,000</u>
Dividends paid	\$ 7,465,000	\$ 7,541,000	\$ 7,255,000
Dividends paid per share (Note 1)	\$1.90	\$1.90	\$1.80
Earnings per share (Notes 1 and 2):			
Income before extraordinary items	4.11	2.55	2.63
Extraordinary items	—	—	—
Net Income	4.11	2.55	2.63
Summary of Balance Sheet at End of Year:			
Current Assets	\$ 64,045,000	\$ 63,727,000	\$ 74,865,000
Investment Securities (including Investments in Unconsolidated Subsidiaries)	8,348,000	10,354,000	10,197,000
Long-Term Receivable, less amount included under Current Assets	3,019,000	3,389,000	3,944,000
Natural Gas and Oil Properties and Other Mineral Interests	11,689,000	11,593,000	11,630,000
Cold Storage Plant and Equipment	6,489,000	5,628,000	5,520,000
Office Buildings and Other Property	4,505,000	3,927,000	3,226,000
Other assets and deferred charges	8,357,000	7,622,000	4,111,000
Total Assets	<u>\$106,452,000</u>	<u>\$106,240,000</u>	<u>\$113,493,000</u>
Current Liabilities	\$ 33,207,000	\$ 40,386,000	\$ 48,002,000
Long-Term Debt, less amount shown under Current Liabilities	1,283,000	1,458,000	1,629,000
Other liabilities, deferred taxes and sundry credits . .	1,969,000	2,247,000	2,116,000
Deferred Profit	3,323,000	3,867,000	4,412,000
Stockholders' Equity:			
Preferred Stock	—	—	—
Common Stock, carried at	7,869,000	7,874,000	6,778,000
Capital in Excess of Carrying Value of Common Stock	8,927,000	8,927,000	8,927,000
Retained Earnings	62,175,000	53,467,000	50,858,000
	<u>78,971,000</u>	<u>70,268,000</u>	<u>66,563,000</u>
Less Common Stock in Treasury, at cost	12,301,000	11,986,000	9,229,000
Total Stockholders' Equity	<u>66,670,000</u>	<u>58,282,000</u>	<u>57,334,000</u>
Total Liabilities and Stockholders' Equity	<u>\$106,452,000</u>	<u>\$106,240,000</u>	<u>\$113,493,000</u>

Notes: (1) Per share figures prior to 1967 have been restated to reflect the two-for-one stock split in December 1967.

(2) Per share figures based on average number of shares outstanding during each period.

STATISTICAL INFORMATION

1967	1966	1965	1964	1963	1962	1961
\$20,378,000	\$18,734,000	\$17,945,000	\$14,990,000	\$12,787,000	\$ 9,492,000	\$11,703,000
4,497,000	4,012,000	4,444,000	4,182,000	3,778,000	3,838,000	4,091,000
7,400,000	4,201,000	3,750,000	3,421,000	4,248,000	3,428,000	4,147,000
8,938,000	9,040,000	9,116,000	8,912,000	9,062,000	9,550,000	9,278,000
1,279,000	1,012,000	842,000	751,000	427,000	—	—
4,868,000	5,058,000	4,640,000	3,905,000	3,627,000	3,559,000	4,021,000
—	—	—	240,000	—	444,000	—
1,007,000	928,000	994,000	995,000	990,000	920,000	886,000
12,000	45,000	43,000	12,000	18,000	13,000	13,000
48,379,000	43,030,000	41,774,000	37,408,000	34,937,000	31,244,000	34,139,000
28,807,000	25,762,000	23,527,000	21,759,000	20,743,000	19,699,000	19,859,000
1,302,000	1,241,000	1,433,000	1,488,000	1,411,000	1,357,000	1,493,000
1,171,000	1,104,000	924,000	887,000	1,034,000	910,000	883,000
279,000	227,000	343,000	214,000	137,000	36,000	47,000
31,559,000	28,334,000	26,227,000	24,348,000	23,325,000	22,002,000	22,282,000
16,820,000	14,696,000	15,547,000	13,060,000	11,612,000	9,242,000	11,857,000
5,594,000	4,679,000	4,931,000	4,325,000	4,255,000	2,714,000	3,757,000
742,000	304,000	363,000	307,000	261,000	229,000	356,000
6,336,000	4,983,000	5,294,000	4,632,000	4,516,000	2,943,000	4,113,000
10,484,000	9,713,000	10,253,000	8,428,000	7,096,000	6,299,000	7,744,000
646,000	—	717,000	—	—	—	—
\$11,130,000	\$ 9,713,000	\$10,970,000	\$ 8,428,000	\$ 7,096,000	\$ 6,299,000	\$ 7,744,000
\$ 7,164,000	\$ 7,216,000	\$ 6,730,000	\$ 6,199,000	\$ 6,178,000	\$ 6,212,000	\$ 6,229,000
\$1.75	\$1.75	\$1.62½	\$1.50	\$1.50	\$1.50	\$1.50
2.56	2.36	2.48	2.04	1.73	1.52	1.87
.16	—	.17	—	—	—	—
2.72	2.36	2.65	2.04	1.73	1.52	1.87
\$56,848,000	\$49,002,000	\$50,281,000	\$38,489,000	\$35,154,000	\$33,667,000	\$34,510,000
10,571,000	10,686,000	10,500,000	9,939,000	9,818,000	9,819,000	9,764,000
4,499,000	5,054,000	5,610,000	6,165,000	6,781,000	7,398,000	—
11,862,000	11,636,000	11,677,000	10,810,000	10,472,000	11,046,000	11,626,000
5,181,000	4,705,000	4,504,000	4,564,000	4,049,000	—	—
3,292,000	3,266,000	3,223,000	4,360,000	4,302,000	4,325,000	4,085,000
3,564,000	3,516,000	2,882,000	1,930,000	1,624,000	1,641,000	1,711,000
\$95,817,000	\$87,865,000	\$88,677,000	\$76,257,000	\$72,200,000	\$67,896,000	\$61,696,000
\$29,607,000	\$23,557,000	\$25,985,000	\$16,662,000	\$14,158,000	\$13,382,000	\$12,470,000
1,794,000	2,155,000	2,312,000	2,465,000	2,517,000	—	—
2,075,000	1,993,000	1,339,000	1,321,000	1,070,000	610,000	408,000
4,956,000	5,501,000	6,045,000	6,650,000	7,255,000	7,859,000	—
—	—	—	—	—	—	—
6,607,000	6,588,000	6,481,000	6,363,000	6,111,000	5,870,000	5,746,000
8,927,000	8,927,000	8,927,000	8,927,000	8,927,000	8,927,000	8,927,000
47,619,000	42,903,000	40,391,000	36,672,000	34,965,000	34,051,000	35,507,000
63,153,000	58,418,000	55,799,000	51,962,000	50,003,000	48,848,000	50,180,000
5,768,000	3,759,000	2,803,000	2,803,000	2,803,000	2,803,000	1,362,000
57,385,000	54,659,000	52,996,000	49,159,000	47,200,000	46,045,000	48,818,000
\$95,817,000	\$87,865,000	\$88,677,000	\$76,257,000	\$72,200,000	\$67,896,000	\$61,696,000

Stone & Webster, Incorporated

Directors*

WHITNEY STONE
Chairman of the Board

RICHARD N. BENJAMIN
President

JOHN H. ALEXANDER
Partner
Mudge Rose Guthrie & Alexander

EDWARD C. BREWSTER
Trustee

WILLIAM L. BROWN
Executive Vice President
The First National Bank of Boston

HOWARD L. CLARK
Chairman of the Board
American Express Company

J. PETER GRACE
President
W. R. Grace & Co.

HENRY U. HARRIS
Chairman of the Board
Harris, Upham & Co., Incorporated

ROBERT K. SCHELL
Executive Vice President
The Chase Manhattan Bank, N.A.

Officers*

Chairman of the Board
WHITNEY STONE

President
RICHARD N. BENJAMIN

Vice Presidents
WILLIAM M. EGAN

ASHTON G. ELDREDGE

Secretary
FRANKLIN E. CONGER

Treasurer
ROBERT F. GALLAGHER

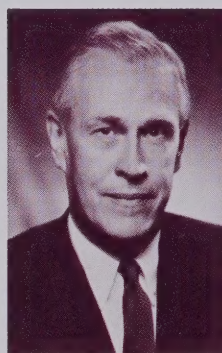
* As of December 31, 1970.



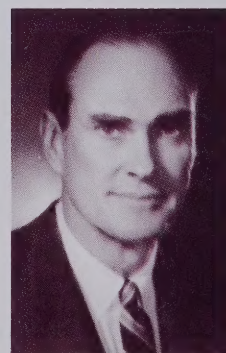
WHITNEY STONE



RICHARD N. BENJAMIN



JOHN H. ALEXANDER



EDWARD C. BREWSTER



WILLIAM L. BROWN



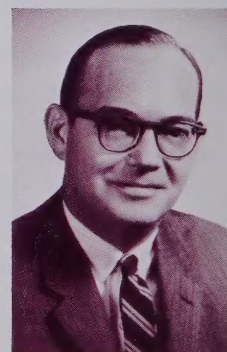
HOWARD L. CLARK



J. PETER GRACE



HENRY U. HARRIS



ROBERT K. SCHELL

Transfer Agent

THE CHASE MANHATTAN
BANK, N.A.
NEW YORK

Registrar

MANUFACTURERS HANOVER
TRUST COMPANY
NEW YORK

The Stone & Webster Organization

Listed below, with an outline of their major activities, are the principal corporate components of the Stone & Webster organization. The subsidiaries listed are 100 per cent owned.

Stone & Webster, Incorporated is principally engaged in the coordination of the activities and policies of its subsidiaries. It also owns certain interests, mainly in the natural gas industry, and is prepared to participate in promising enterprises which may not be in a position to obtain public financing.

Stone & Webster Engineering Corporation furnishes complete design and construction services for power and industrial projects, and through its Process Industries Group to companies in the petroleum, chemical, paper and pharmaceutical fields. It also constructs from plans developed by others, makes engineering reports, business examinations and appraisals, and undertakes consulting engineering work.

Stone & Webster Engineering Limited, with offices at 20, Red Lion Street, London WC1R 4PT, furnishes design and construction services, particularly for petroleum and chemical companies in Great Britain, Europe, the Middle East and Australia, in association with Stone & Webster Engineering (Holland) N.V. (The Hague), Stone & Webster Engineering S.A. (Paris), and Stone & Webster Engineering Pty. Limited (Sydney, New South Wales).

Stone & Webster Management Consultants, Inc. supplies comprehensive management consulting services for business and industry, including public utility, transportation, pipeline, land development, banking, petroleum and manufacturing companies. Government agencies, foreign and domestic, also use these services. Foreign assignments are conducted by Stone & Webster Overseas Consultants Inc. and Stone & Webster Service Pty. Limited (Melbourne).

Stone & Webster Securities Corporation furnishes comprehensive financial services to issuers of securities and to investors; underwriting and distributing, at wholesale and at retail, corporate, government and municipal bonds, as well as preferred and common stocks. It also handles orders in issues traded on all stock exchanges and in the over-the-counter market.

Stone & Webster Canada Limited, with headquarters office at 60 Adelaide Street East, Toronto 210, offers to Canadian industry the services of the entire Stone & Webster organization with particular emphasis on design and construction, reports, appraisals, surveys and general advisory services. Design and construction services in the mining and metallurgical fields are furnished to clients both within and outside of Canada.

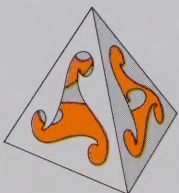
Industrial Gas Supply Corporation is engaged in the business of producing, purchasing and transporting natural gas and distributing the same at wholesale and to large industrial users in Houston, Texas, and vicinity.

San Salvador Development Company, Inc. owns natural gas and other mineral interests, principally in Texas.

Spruce Hills Production Company, Inc. owns oil and natural gas interests in Canada, principally in the Province of Alberta.

Commercial Cold Storage, Inc. is engaged in modern cold storage warehousing and offers blast-freeze and a wide variety of other refrigeration services in the Metropolitan Atlanta area of Georgia to food-processors and others.

The Stone & Webster Building, Incorporated operates, for Stone & Webster, Incorporated, the Stone & Webster building located at 90 Broad Street, New York, N. Y. Approximately 35% of the available space is occupied by the Stone & Webster organization, and the balance is rented to others.



STONE & WEBSTER, INCORPORATED / 90 Broad Street, New York, N.Y. 10004